

## Message Text

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PAGE 01 STATE 234957

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L STATE 234957

EXDIS

FOR ASSISTANT SECRETARY HARTMAN FROM ARMITAGE, EUR

FOLLOWING REPEAT WARSAW 6464 ACTION SECSTATE 01 OCT

QUOTE

C O N F I D E N T I A L WARSAW 6464

EXDIS

E.O. 11652: GDS

TAGS: PINT, ECON, PL

SUBJECT: REACTION TO SHORTAGES AND PRICE-RISE RUMORS

REF: (A) STATE 229171; (B) STATE 231534; (C) WARSAW 6334;

(D) WARSAW 5989

1. IN ADDITION TO WARSAW'S 6334 NOTED REF B, EMBASSY COMMENTS ON SHORTAGES AND PRICE-RISE RUMORS ARE CONTAINED IN REF D AND IN NOWALINSKP MEMCON, POUCHED SEPTEMBER 12; WASZCZUK MEMCON POUCHED SEPTEMBER 29, AND MEMORANDA DATED SEPTEMBER 23 AND SEPTEMBER 26, ALSO POUCHED SEPTEMBER 29. (PIONTEK MEMCON, TO BE POUCHED OCTOBER 2, ALSO DEALS WITH SUBJECT.)

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 234957

2. TENSION IS RUNNING HIGH, BOTH IN THE LEADERSHIP AND AMONG THE PEOPLE. WE KNOW FROM EXPERIENCE THAT THE POLISH BODY POLITIC IS VOLATILE AND LEAVES THE LEADERSHIP LITTLE ROOM FOR MANEUVER; A SPARK IN THE RIGHT PLACE COULD HAVE SERIOUS CONSEQUENCES. HOWEVER, GIEREK HAS PROVEN ADEPT AT DEFUSING CRITICAL DOMESTIC SITUATIONS.

3. WE HAVE HEARD FROM WELL-INFORMED SOURCES THAT THE TOP LEADERSHIP IS WELL AWARE OF THE UNREST AND DISCONTENT WITH THE PRESENT SUPPLY SITUATION AND IS TAKING STEPS TO KEEP THE DISCONTENT WITHIN BOUNDS, E.G., BY IMPORTING MEAT AND OTHER COMMODITIES. GIEREK KNOWS THAT A CREDIBILITY GAP EXISTS BETWEEN THE POPULATION AND THE REGIME. HIS RECENT HEAVY SCHEDULE OF TRAVEL WITHIN THE COUNTRY, HIS TELEVISED SPEECHES, AND HIS GENERAL HIGH VISIBILITY ARE INTENDED TO REASSURE THE POLISH PEOPLE THAT THEIR MOST PRESSING CONCERNS HAVE NOT BEEN FORGOTTEN.

4. GIEREK'S MAIN PROBLEM IS THE COMBINATION OF RISING POPULAR EXPECTATIONS AND THE FACT THAT TOO MUCH MONEY IS CHASING TOO FEW QUALITY GOODS. HE REALIZES THAT THE POLISH PEOPLE ARE EXCEEDINGLY SENSITIVE TO ANY ACTION WHICH MIGHT ADVERSELY AFFECT THE CONTINUING IMPROVEMENT OF THEIR STANDARD OF LIVING, HELD DOWN SO LONG DURING GOMULKA'S TENURE.

5. THE LEADERSHIP IS NOW TRYING TO EDUCATE THE POLISH PEOPLE ABOUT THE NECESSITY FOR FOOD AND OTHER PRICE RISES. A GREAT DEAL OF THE CURRENT UNREST AND ANXIETY ARISES FROM UNCERTAINTY ABOUT WHEN THE PRICE RISES WILL TAKE PLACE AND HOW HIGH THEY WILL BE. THE LEADERSHIP FACES A WHOLE SERIES OF VERY SENSITIVE DECISIONS, SUCH AS WHETHER PRICE RISES CAN BE IMPLEMENTED WITHOUT AT THE SAME TIME INCREASING WAGES AND OFFSETTING THE INCREASES THROUGH OTHER ACTIONS WHICH COULD HOLD DOWN TO SOME DEGREE THE ADVERSE EFFECTS OF THE INCREASES ON THE STANDARD OF LIVING. GIVEN THE CUMBERSOME POLISH ECONOMIC MECHANISM, IT MAY BE NECESSARY TO ALLOW INFLATION TO CURB DEMAND, SINCE SUFFICIENTLY INCREASED PRODUCTION

CONFIDENTIAL

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PAGE 03 STATE 234957

OF QUALITY PRODUCTS IS STILL TOO FAR IN THE FUTURE. GIEREK APPARENTLY IS TRYING TO HOLD OFF INCREASING FOOD PRICES AS LONG AS POSSIBLE AND WOULD PRESUMABLY PREFER THAT THE SEVENTH PARTY CONGRESS TAKE THE RESPONSIBILITY FOR THIS ACTION.

6. THERE ARE THOSE IN WARSAW-- BOTH POLES AND DIPLOMATS---WHO BELIEVE THAT THE CRUNCH CANNOT BE PUT OFF

UNTIL THE CONGRESS, BUT IS LIKELY TO COME AFTER THE ONSET OF WINTER WEATHER AND BEFORE THE CONGRESS CONVENES. THE QUESTION IS WHETHER, IN VIEW OF THE ABUNDANT SUPPLY OF MONEY, THE REGIME WILL BE ABLE TO KEEP THE MARKET SUFFICIENTLY SUPPLIED AT PRESENT PRICES TO KEEP CONSUMER DISCONTENT WITHIN ACCEPTABLE BOUNDS, WHILE IT FORMULATES A NEW WAGE-PRICE POLICY WHICH THE POPULATION CAN BE BROUGHT TO ACCEPT.

7. THE SOVIET UNION IS REPORTEDLY COMING TO GIEREK'S ASSISTANCE WITH LONG-TERM CREDITS FOR POLISH GRAIN PURCHASES FROM THIRD COUNTRIES. IF POLAND IS ABLE TO PURCHASE ADDITIONAL GRAINS ON THE AMERICAN MARKET, THIS WILL HELP THE POLISH REGIME WEATHER THE DIFFICULT PERIOD BEFORE IT--A PERIOD WHOSE DIFFICULTIES HAVE BEEN GREATLY COMPOUNDED BY TWO SUCCESSIVE BAD AGRICULTURAL YEARS. IN MY OPINION, IT IS IN OUR INTEREST TO DO THIS, SINCE WHAT IS ULTIMATELY AT STAKE IS THE LEADERSHIP'S ABILITY TO MAINTAIN ITS CONSUMER-ORIENTED POLICY, BASED IN LARGE PART ON THE CONTINUED GROWTH OF TRADE WITH THE WEST, INCLUDING THE U.S.

8. THE POLISH BODY POLITIC IS HISTORICALLY VOLATILE. HOW IT WILL BEHAVE DURING THE POLICY CHANGES WHICH WILL PRESUMEABLY COME IN THE NEXT THREE-TO-FOUR MONTHS IS IMPOSSIBLE TO PREDICT. FOR ONE THING, WE DO NOT YET KNOW WHAT THOSE CHANGES WILL BE OR HOW THEY WILL BE PRESENTED. FOR ANOTHER, WE DO NOT KNOW WHAT OTHER OCCURRENCES MAY HAVE AN IMPACT ON THE POPULAR MOOD.

9. WE CAN, HOWEVER, PREDICT WITH FULL CONFIDENCE THAT RUMORS AND REPORTS LIKE THOSE CONTAINED IN REF A WILL MULTIPLY, BOTH IN VOLUME AND IN THE BIZARRENESS OF THEIR  
CONFIDENTIAL

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PAGE 04 STATE 234957

CONTENT. THE KEY ROLE PLAYED BY GIEREK INSURES THAT RUMORS REGARDING HIS POSITION WILL INCREASE AS WE MOVE TOWARD THE CONGRESS. (WHEN WE MET SEPTEMBER 18, THE NATO AMBASSADORS DISCUSSED THE VARIOUS RUMORS ABOUT THE WEAKNESSES AND STRENGTHS OF GIEREK'S CURRENT POSITION. THERE WAS GENERAL AGREEMENT THAT NO CHALLENGER OR ALTERNATIVE TO GIEREK WAS VISIBLE. THAT IS MY OWN STRONGLY-HELD VIEW, ALTHOUGH I ALWAYS HAVE IN MIND THE PERIOD FEBRUARY-JULY, 1953, WHEN NONE OF US IN MOSCOW WAS ABLE TO FORESEE KRUSHCHEV'S EVENTUAL EMERGENCE.)

10. NEVERTHELESS, WE APPRECIATE RECEIVING REF A. IT ADDS THE PROVINCIAL DIMENSION TO THE EQUALLY GAUDY SHEAF OF RUMORS WHICH PERVADE THE CAPITAL. WE WILL BE HAPPY

TO COMMENT, IN DETAIL OR IN GENERAL TERMS, ON FUTURE  
SUCH COMPILATIONS.  
DAVIES UNQUOTE KISSINGER

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